

**CHARTER SCHOOL FACILITIES PROGRAM
PROPOSITIONS 55 & 1D FUNDING ROUND
STAFF SUMMARY REPORT – OCTOBER 2013**

Applicant/Obligor:	Animo Pat Brown/Green Dot Public Schools
Project School:	Animo Pat Brown Charter High School
CDS (County – District – School) Code:	19-64733-0106849
Proposed Project Location:	8145 and 8205 Beach Street, Los Angeles
Type of Project:	New Construction
County:	Los Angeles
District in which Project is Located:	Los Angeles Unified School District
Charter Authorizer:	Los Angeles Unified School District
	Proposition 55: \$17,783,094
	<u>Proposition 1D: \$ 9,480,408</u>
Total OPSC Project Cost:	Total: \$27,263,502
State Apportionment (50% Project Cost):	\$13,631,751
Lump Sum Contribution:	\$0
	Proposition 55: \$8,891,547
	<u>Proposition 1D: \$4,740,204</u>
Total CSFP Financed Amount:	Total: \$13,631,751
Length of CSFP Funding Agreement:	30 years
Assumed Interest Rate:	2.00%
	Proposition 55: \$397,007
	<u>Proposition 1D: \$211,650</u>
Estimated Annual CSFP Payment:	Total: \$608,657
First Year of Occupancy of New Project:	2014-15

Staff Recommendation: Staff recommends that the California School Finance Authority (CSFA) Board determine that Animo Pat Brown Charter High School (Animo Pat Brown) is financially sound for the purposes of the Charter School Facilities Program (CSFP or the Program) Final Apportionment. This determination is in place for six months and assumes no financial, operational, or legal material findings within this time period. This recommendation is contingent upon Animo Pat Brown electing to have its CSFP payments intercepted at the state level, pursuant to Sections 17199.4 and 17078.57(a)(1)(A) of the Education Code. Staff recommends that the CSFA Board direct staff to notify the Office of Public School Construction (OPSC) and the State Allocation Board regarding this determination.

Background: In February 2005, under Proposition 55, Animo Pat Brown (under its previous name, Animo Downtown Charter High School) was awarded a Preliminary Apportionment of \$12,142,552. In July 2011, under Proposition 1D, the Authority found Green Dot Public Schools (Green Dot), on behalf of Animo Pat Brown, financially sound for a Preliminary Apportionment of \$5,127,676, which the State Allocation Board awarded to Animo Pat Brown. Subsequently, in April 2012, under Proposition 1D, the Authority found Green Dot, on behalf of Animo Pat Brown, to be financially sound for Advance

Apportionment for design and site acquisition, and in August 2012, the Office of Public School Construction issued an advance release for design of \$313,839 and site acquisition of \$1,989,280 under Proposition 1D.

During the 2009 Proposition 1D Funding Round, Green Dot, as education management organization (EMO) and co-borrower, applied for CSFP Preliminary Apportionment for three schools, including Animo Pat Brown, Animo South Los Angeles, and Animo Leadership. In addition to Animo Pat Brown, Animo South Los Angeles also previously received preliminary apportionment awards under Proposition 55, and Animo Leadership previously received a preliminary apportionment award under Proposition 47. Four other Green Dot schools, Animo Justice, Animo Jackie Robinson, Animo Venice, and Animo Oscar De La Hoya, also previously received preliminary apportionment awards under either Proposition 55 or Proposition 1D (2007 Funding Round). Of these, Animo Leadership, Animo Venice, and Animo Oscar De La Hoya have received Final Apportionments. Animo Jackie Robinson still maintains its preliminary apportionment under 1D, while Animo Justice and Animo South Los Angeles have received their awards.

Animo Pat Brown is now seeking Final Conversion under both Propositions 1D and 55.

Application Highlights: Below, Staff has highlighted key criteria that were evaluated when conducting the financial soundness review of Animo Pat Brown. Detailed information is contained in the body of the report.

Criteria	Comments
Eligibility Criteria	Animo Pat Brown meets all eligibility criteria, including having been in operations for more than two years, having a charter in place through June 2014, and being in good standing with its chartering authority and in compliance with the terms of its charter.
Demographic Information	Starting with an initial class of 145 ninth graders in 2006-07, and adding a grade each successive year up to grade 12, Animo Pat Brown has shown consistent student enrollment growth through 2010-11, and stable enrollment for the past two years, up to its current enrollment of 595 students in grades 9-12. Animo Pat Brown anticipates slight enrollment growth to 618 in 2016-17.
Debt Service Coverage	Debt service coverage from school revenues is projected to be 140.1% and 128.3% in 2015-16 and 2016-17, respectively.
Other Financial Factors	<ol style="list-style-type: none"> 1. The CSFP lease would be supported by Green Dot, as EMO and co-borrower. 2. Animo Pat Brown's Net Working Capital as of June 30, 2012 was \$2.06 million or 44.7% of total expenses, which is above the minimum 5.0% level necessary to be considered sufficient.
Student Performance	Animo Pat Brown failed to meet all of its AYP criteria during three of the past four years. The school met its schoolwide API growth targets in 2009-10 and 2010-11 but did not meet these targets in 2011-12 and 2012-13. However, Animo Pat Brown has been able to maintain relatively strong statewide and similar schools rankings of "7" and "10", respectively.

Program Eligibility: Animo Pat Brown’s current charter, which was renewed in June 2009, is valid through June 2014. On September 3, 2013, staff received verification from the Charter School Division of Los Angeles Unified School District, confirming that Animo Pat Brown is (1) in compliance with the terms of its charter agreements, and (2) is in good standing with its chartering authority.

Legal Status Questionnaire: Staff reviewed the Applicant’s responses, dated August 2, 2013, to the questions contained in the Legal Status Questionnaire (LSQ). Green Dot answered “None” to all LSQ questions.

Project Description: The project consists of the new construction of modular 2-story facilities located at 8145 and 8205 Beach Street in the City of Los Angeles. Green Dot expects that the facilities will consist of between 30,000 and 45,000 square feet, for a student capacity of approximately 650 students in grades nine through twelve. Green Dot anticipates project completion and initial project occupancy in September 2014. Animo Pat Brown is currently leasing temporary space at 8255 Beach St. in Los Angeles.

Organizational Information: Animo Pat Brown’s charter was originally approved by LAUSD in 2006, and the school began operations in 2006-07 with 145 students in grade 9. Animo Pat Brown has since had its charter renewed through June 30, 2014.

Educational Management Organization: Green Dot (legal name Green Dot Educational Project, Inc.) is a 501(c)(3) nonprofit public benefit California Corporation, incorporated in 1999, functioning as an educational management organization (EMO). Green Dot’s first charter school, Animo Leadership, opened in 2000-01 and was followed by 16 schools opened as follows: 2002-03 (1 school), 2003-04 (1 school), 2004-05 (2 schools), 2006-07 (5 schools), 2007-08 (2 schools), 2008-09 (4 schools), 2009-10 (1 school), 2010-11 (1 school), 2011-12 (2 schools), and 2013-14 (2 schools). Four schools have closed their operations. These schools are represented by both independent, conversion charters and independent, start-up charters. Green Dot currently operates 16 charter schools in the Los Angeles area, including 11 high schools and 5 middle schools. Green Dot also has a teachers’ union – the Asociacion de Maestros Unidos. Green Dot believes the presence of a union is advantageous in attracting qualified teachers and in improving relations with LAUSD.

Animo Pat Brown, along with Animo Justice, Animo Ralph Bunche, Animo Jackie Robinson, and Animo Film & Theater Arts (no longer in operated Green Dot Public Schools), were opened in 2006-07 as part of Green Dot’s Jefferson High School transformation project, after five previous Green Dot schools were established from 2000-01 through 2005-06. Green Dot’s original model has been a high school model involving each school opening with a ninth grade of approximately 140 students, adding a new grade in each year, and reaching a maximum of approximately 525 students in grades 9-12 in the fourth year of operations. However, Green Dot has expanded with five additional middle schools over the past three years, including two middle schools commencing operations in 2013-14. In addition, Animo Pat Brown’s current enrollment of 573 now exceeds the model, and Animo Pat Brown is expected to maintain this level of enrollment in the future. Program guidelines have been revised to accommodate more students due to high student demand, facility capacity, and fiscal constraints from the State budget.

Green Dot’s home office is responsible for developing new schools, back-office management, fundraising, and advocacy initiatives. Green Dot’s home office management costs are paid through fundraising and through a management fee of 10% of individual school revenues. The organization has stated that school management fees will be subordinated to support any CSFP lease payments.

Although Green Dot has listed itself as guarantor on all its schools’ applications, Green Dot is formally a co-borrower rather than guarantor, since the organization is not legally separated from the school. In the event of lease default, the CSFA would have recourse first to the school’s assets, and then recourse on parity with other creditors to Green Dot as an EMO. Other creditors would have first recourse to schools with associated obligations under the Green Dot umbrella. Green Dot’s management has over two years of charter school management experience.

School Management: Joshua Hartford has served as Principal of Animo Pat Brown since August 2009. Previously, Mr. Hartford was a School Coordinator for Los Angeles Unified School District in addition to teaching science at Alain Leroy Locke High School. Mr. Hartford graduated with a Masters in Secondary Education from Loyola Marymount University and received a B.S. in Biochemistry and Molecular Biology from Brown University.

Management Experience for Schools Open Less than Two Years: Not applicable since Animo Pat Brown has been in operation as a charter school since 2006, and Green Dot has been managing actively operating charter schools since 1999.

Board of Directors: The Green Dot Board of Directors is represented by members with a breadth of business, community and educational experience, as shown in the following table.

NAME	OCCUPATION	RESIDENCE	TERM OF OFFICE (years)
Marlene Canter, Board Chair	Former LAUSD Board President	Los Angeles	2012-14
Kevin Reed, Board Vice Chair	Vice Chancellor of Legal Affairs, UCLA	Los Angeles	2012-14
Brad Rosenberg, Board Secretary	Chairman, Imagine L.A.	Los Angeles	2012-14
Noah Mamet	President, Mamet and Associates	Los Angeles	2012-14
Paul Miller	Senior Advisor, LAUSD	Los Angeles	2012-14
Ref Rodriguez	President and CEO, Partners for Developing Futures	Los Angeles	2012-14
Gilbert Vasquez	Managing Partner, Vasquez and Company, LLP	Los Angeles	2012-14

Timothy Wahl	Faculty Member, Cal. State University, Northridge	Los Angeles	2012-14
Denita Willoughby	Vice President of External Affairs, Southern California Gas Company	Los Angeles	2012-14
Arielle Zurzollo	President of Green Dot’s Teacher’s Union	Los Angeles	2012-14

Staff Experience: Marco Petruzzi has served as Chief Executive Officer of Green Dot since 2005. Prior to this position, Mr. Petruzzi served as a management consultant in a variety of firms (1990-2005), both domestic and in other countries, and founded R3 School Solutions, an organization that provided management and administrative services to charter management organizations. Mr. Petruzzi holds a B.S. in industrial engineering and a Masters in Business Administration from Columbia University.

Sabrina Ayala has served as Green Dot’s Chief Financial Officer since 2006. Prior this this position, Ms. Ayala served as Senior Program Officer for Education at Low Income Investment Fund (2005-06), Sales and Training Associate at Merrill Lynch & Co. (2002-04), and Associate at Stern Stewart & Co. (1998-2000). Ms. Ayala holds a Masters in Business Administration from Northwestern University.

Cristina de Jesus has served as Chief Academic Officer since 2008. While in this position, Ms. de Jesus also served as Green Dot’s Chief Operating Officer (2008-09). Prior to her position as Chief Academic Officer, Ms. De Jesus served at Green Dot as Vice President of Curriculum and Director of Curriculum, Instruction, and Professional Development (2006-08), Principal at Animo Inglewood Charter High (2002-06). Prior to her positions with Green Dot, Ms. de Jesus served as an English and Spanish teacher at Lincoln Middle School (Santa Monica) (1995-2002). Ms. de Jesus holds a Masters in Education, English teaching Credential, and Doctorate in Education from U.C.L.A., as well as a Masters in Educational Administration and an Administrative Credential from California State University at Northridge.

Student Performance: Because of its implications for student enrollment stability and growth, staff views student performance as a leading indicator of a charter school’s financial position. Schools with improving student performance trends are viewed favorably, especially if these trends exceed threshold goals set by the school or the California Department of Education (CDE). In order to measure student performance, staff utilizes Academic Performance Index (API) and Adequate Yearly Progress (AYP) trend data generated by the CDE. The API is also used as an indicator for measuring AYP per the No Child Left Behind Act of 2001. Any school not meeting AYP targets would face additional mandates and corrective actions if the school is a recipient of federal Title I funds.

Animo Pat Brown has more than four years AYP results and reported API scores, allowing a review of progress and comparison to similar schools. The following table summarizes the school’s trends in student performance.

Animo Pat Brown	FY 2009/10	FY 2010/11	FY 2011/12	FY 2012/13
ADEQUATE YEARLY PROGRESS (AYP)				
Met All AYP Criteria?	Yes	No	No	No
Criteria Met / Required Criteria	17 / 17	15 / 17	12 / 18	14 / 18
Met API Indicator for AYP?	Yes	Yes	Yes	Yes
Met Graduation Rate?	N/A	N/A	Yes	Yes
ACADEMIC PERFORMANCE INDEX (API)				
Met Schoolwide Growth Target?	Yes	Yes	No	No
Met Comparable Improvement Growth Target?	Yes	No	No	No
Met Both Schoolwide & CI Growth Targets?	Yes	No	No	No
API Base Statewide Rank (10 = best)	7	8	8	7
API Base Similar Schools Rank (10 = best)	10	10	10	10
School's Actual Growth	N/A	6	1	4
Similar Schools Median of Actual Growth	N/A	16	11	-3
Did School's Growth Exceed Median?	N/A	No	No	Yes

Animo Pat Brown failed to meet all of its AYP criteria during three of the past four years, all years except 2009-10. In addition, Animo Pat Brown met its API Schoolwide growth targets in two of the past four years, 2009-10 and 2010-11. It should be noted, however, that for the most recent reported year, 2012-13, Animo Pat Brown missed its growth target by only one point. Animo Pat Brown received API growth scores of 753, 790, 794, 795, and 799 for 2008-09 through 2012-13, respectively. Based on its API base scores for 2011-12, Animo Pat Brown achieved statewide and similar schools rankings of “8” and “10” (“10” = best), respectively. Similarly, for 2012-13, Animo Pat Brown achieved statewide and similar schools rankings of “7” and “10”, respectively.

As a result of its failure to meet AYP for the past years, Animo Pat Brown is on Program Improvement Status pursuant to No Child Left Behind Act of 2001. Notwithstanding Animo Pat Brown’s performance with AYP, staff acknowledges the fact that the threshold for meeting AYP has become increasingly difficult in each successive year, as described below.

The percent-proficient threshold requirement for AYP, both for English-language arts and mathematics, in accordance with the Elementary and Secondary Education Act (ESEA), reflects increases each year and will continue to reflect increases until 2014. Therefore, with each successive year, charter schools are increasingly challenged in “making AYP” (meeting all AYP criteria). This requirement applies to both school wide performance and performance of each numerically significant subgroup within any school. As an example, since 2002, the percent-proficient requirements for English-language arts (elementary schools, middle schools, and elementary school districts) are as follows: 13.6% for each of 2001-02, 2002-03, and 2003-04; 24.4% for each of 2004-05, 2005-06, and 2006-07; 35.2% for 2007-08; 46.0% for 2008-09; 56.8% for 2009-10; 67.6% for 2010-11; 78.4% for 2011-12; and 89.2% for 2012-13. This specific requirement will increase to 100.0% for 2013-14. The English-language arts percent-proficient requirement for high schools shows a similar trend, as do the percent-proficient requirements for mathematics for both elementary schools and high schools. Given that each numerically significant subgroup within a school must meet the percent-proficient requirement in English-language arts and mathematics in order for the school to make AYP, and given the high prevalence of English-

language learners in California, charter schools have been faced with increasing difficulty in making AYP¹.

Staff notes that Animo Pat Brown's AYP and API results for 2011-12 and 2012-13 are based on more than 80% of the students tested being English language learners. Overall, given Animo Pat Brown's high percentage of English language learners, staff acknowledges the value in Animo Pat Brown's moderate improvement with its API growth score over the past five years (from 753 to 799) and its high similar schools ranking ("10" for each of the past four years). Staff therefore concludes that Animo Pat Brown's academic performance supports a recommendation for financial soundness.

School Enrollment and Retention: Animo Pat Brown began operations in 2006-07, with an initial class of 145 ninth graders. Since the start of operations, in adding a grade each year up to the addition of grade 12, Animo Pat Brown has shown consistent growth through 2010-11 with 284 students in grades 9 and 10 in 2007-08, 403 students in grades 9–11 in 2008-09, 526 students in grades 9-12 in 2009-10, and 588 students in grades 9-12 in 2010-11. Since 2010-11, Animo Pat Brown's enrollment has remained about the same with 581 students in grades 9-12 for 2011-12 and 589 students in grades 9-12 for 2012-13.² Animo Pat Brown's approved budget for 2013-14 assumes an enrollment of 595, and Animo Pat Brown projects slight enrollment growth (about 5%) over the next four years with 595 students in 2014-15 (first year of project occupancy), 605 students in 2015-16, and 618 students in 2016-17. Staff finds Animo Pat Brown's enrollment projections to be consistent with its historical trend and the 650-student capacity of the CSFP project, and reasonable with respect to its multi-year budget projections.

For the past two years, 2011-12 and 2012-13, Animo Pat Brown achieved year-to-year retention rates of 97.1% and 93.5%, respectively.³ In addition, Animo Pat Brown achieved average daily attendance (ADA) rates for these years of 94.5% and 95.1%, respectively, based on CBEDS enrollment and P-2 attendance data. Since average enrollment is normally lower than CBEDS enrollment, the actual ADA is likely to be higher than these figures. Hence, Animo Pat Brown's performance with ADA is consistent with the assumed ADA rates of 95% in Animo Pat Brown's multi-year budget projections. Animo Pat Brown currently has 30 students on its waiting list.

Financial Performance: Highlighted in this section are financial data and credit indicators used to evaluate the Animo Pat Brown's ability to meet its CSFP obligations. The table below summarizes key aspects of the school's past and projected financial performance. Please note that the revenue, expenditure and changes to net assets recorded in financial audits and provided in Animo Pat Brown's financial projections have been modified by staff, where necessary, to include capital outlays, operating leases and repayment of debt and other significant obligations, and to exclude non-cash items such as depreciation.

¹ Information regarding AYP requirements is derived from the California Department of Education's "2010 Adequate Yearly Progress Report Information Guide".

² Historical enrollment through 2012-13 is based on the CBEDS enrollment reported to CDE at the beginning of the year, which is slightly higher than the average enrollment used in the multi-year projections.

³ These year-to-year retention rates represent the ratio of end-of-year enrollment to beginning-of-year enrollment rather than retention to subsequent years.

Staff’s review of Animo Pat Brown’s financial performance is based on audited financial statements for fiscal years 2009-10 through 2011-12, unaudited financials for 2012-13, 2013-14 budget, and financial projections from 2014-15 through 2016-17, as provided by Green Dot. Animo Pat Brown’s financial projections are based upon the following assumptions: (1) project occupancy beginning in 2014-15; (2) student enrollment at 580 throughout the projected years; (3) general purpose block grant funding rate of \$6,148 (grades 9-12) in 2013-14 with annual increases to the base rate through the Local Control Funding Formula; and (4) projected ADA rates of 95%, which is consistent with Animo Pat Brown’s historical performance;

Animo Pat Brown	Actual FY 2010/11	Actual FY 2011/12	Unaudited FY 2012/13	Budgeted FY 2013/14	Projected FY 2014/15	Projected FY 2015/16	Projected FY 2016/17
ENROLLMENT PROJECTIONS							
Enrollment	588	581	589	595	595	605	618
Average Daily Attendance	545	559	552	565	565	575	587
Average Daily Attendance (%)	93%	96%	94%	95%	95%	95%	95%
FINANCIAL PROJECTIONS							
Total Revenues Available for CSFP Payment	\$ 5,509,572	\$ 5,575,096	\$ 5,511,034	\$ 5,485,269	\$ 5,826,924	\$ 5,782,270	\$ 6,108,967
Total Expenses Paid Before CSFP Payment	4,662,579	4,621,041	5,016,794	5,069,387	5,202,034	5,352,032	5,750,451
Accounting Adjustments	26,824	23,495	22,829	5,707	5,707	422,374	422,374
Net Revenues Available for CSFP Payment	\$ 873,817	\$ 977,550	\$ 517,069	\$ 421,589	\$ 630,597	\$ 852,612	\$ 780,890
CSFP Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 608,657	\$ 608,657
Net Revenues After CSFP Payment	\$ 873,817	\$ 977,550	\$ 517,069	\$ 421,589	\$ 630,597	\$ 243,955	\$ 172,233
FINANCIAL INDICATORS							
Net Revenues Available for CSFP Payment	\$ 873,817	\$ 977,550	\$ 517,069	\$ 421,589	\$ 630,597	\$ 852,612	\$ 780,890
Debt Service Coverage by Net Revenues	N/A	N/A	N/A	N/A	N/A	140.1%	128.3%
Contributions	\$ 90,962	\$ 10,404	\$ 66,647	\$ 31,330	\$ 31,342	\$ 31,869	\$ 32,554
Debt Service Coverage by Net Revenues (w/out Contributions)	N/A	N/A	N/A	N/A	N/A	134.8%	122.9%
CSFP Lease Payment / Revenues	N/A	N/A	N/A	N/A	N/A	10.5%	10.0%
Contributions / Revenues	1.7%	0.2%	1.2%	0.6%	0.5%	0.6%	0.5%
Net Revenues After CSFP Payment / Revenues	15.9%	17.5%	9.4%	7.7%	10.8%	4.2%	2.8%
Revenues / ADA	\$ 10,109	\$ 9,973	\$ 9,984	\$ 9,704	\$ 10,309	\$ 10,060	\$ 10,405
Expenses / ADA	\$ 8,555	\$ 8,267	\$ 9,088	\$ 8,968	\$ 9,203	\$ 10,371	\$ 10,831
Surplus (Deficit) / ADA	\$ 1,554	\$ 1,707	\$ 895	\$ 736	\$ 1,106	\$ (310)	\$ (426)
Net Working Capital	\$ 1,087,417	\$ 2,064,967					
Net Working Capital / Expenses	23.3%	44.7%					

Animo Pat Brown currently has no outstanding long-term debt. The school’s projections do not indicate that any additional long-term debt will be incurred except for the Program lease.

Performance/Change in Net Assets: For 2009-10, Animo Pat Brown recorded a net loss of \$136,526 on \$5.39 million in revenues and \$5.46 million in expenses. For 2010-11, Animo Pat Brown recorded net revenues of \$873,817 on \$5.51 million in revenues and \$4.66 million in expenses. The school continued to produce net income of \$977,550 in 2011-12 based on revenues and expenses of \$5.58 million and \$4.62 million, respectively. According to Animo Pat Brown’s 2012-13 unaudited actuals, net revenues of \$517,069 were produced based on \$5.51 million in revenue and \$5.02 million in expenses. The 2013-14 budget projects Animo Pat Brown operating with a positive margin of \$421,589 based on projected revenues and expenses of \$5.49 million and \$5.07 million, respectively. For 2015-16 and 2016-17 (first two years of CSFP payments), Animo Pat Brown anticipates net revenues of \$467,055 and \$395,333, respectively, after payment of the projected CSFP lease payment.

Animo Pat Brown’s multi-year projections show contributions at less than 1% of projected revenues in all projected years, indicating no reliance on contributions in order to maintain operations. Staff also notes that Animo Pat Brown’s projected annual financial performance includes annual management fees to Green Dot, as EMO, equal to 8% of revenues. The

Animo Pat Brown financial analysis conservatively assumed no subordination of the school's EMO payment although this fee would be made subordinate to any CSFP facility payment.

Debt Service Coverage: Assuming a 2.0% interest rate and 30-year repayment period, Animo Pat Brown's total annual CSFP lease payment (including Proposition 55 and Proposition 1D Allocations) is projected to be \$608,657 beginning 2015-16. This payment would represent, on average, a reasonable 10.3% of projected revenues in 2015-16 and 2016-17. Animo Pat Brown's projected net revenues in 2015-16 and 2016-17 of \$852,612 and \$780,890, respectively, prior to payment of the CSFP lease, would provide debt service coverage of 140.1% and 128.3%. Calculation of debt service coverage in 2015-16 and 2016-17 without contributions is projected to be 134.8% and 122.9%, respectively. In addition to having Green Dot as a co-borrower, Staff finds Animo Pat Brown's ability to withstand unforeseen financial constraints and still meet its CSFP obligation to be strong.

Liquidity: Liquidity is also measured in terms of net working capital (NWC) is calculated by subtracting current liabilities from current assets. Animo Pat Brown's NWC at June 30, 2011 was \$1.09 million, or 23.3% of total expenses. NWC increased as of June 30, 2012 to \$2.06 million or 44.7% of expenses. As staff considers NWC equivalent to at least 5.0% of total expenses to be sufficient, Animo Pat Brown's most recent audited financials indicate sufficient liquidity positions. Green Dot as co-borrower also provides an additional source of liquidity.

Strengths, Weaknesses and Mitigants

- + Green Dot has agreed to serve as a co-borrower to the CSFP obligation.
- + Green Dot projects debt service coverage for Animo Pat Brown of 140.1% and 128.3% for 2015-16 and 2016-17.
- + Animo Pat Brown failed to meet all of its AYP criteria during three of the past four years. The school met its schoolwide API growth targets in 2009-10 and 2010-11 but have not met these targets in 2011-12 and 2012-13 (albeit by a small margin). Animo Pat Brown has been able to maintain relatively strong statewide and similar schools rankings of "7" and "10", respectively.
- + Starting with an initial class of 145 ninth graders in 2006-07, and adding a grade each successive year up to grade 12, Animo Pat Brown has shown consistent student enrollment growth through 2010-11, and stable enrollment for the past two years, up to its current enrollment of 595 students in grades 9-12. Animo Pat Brown anticipates slight enrollment growth to 618 in 2016-17..

Staff Recommendation: Staff recommends that the California School Finance Authority Board determine that Animo Pat Brown Charter High School is financially sound for the purposes of the Charter School Facilities Program Final Apportionment. This determination is in place for six months and assumes no financial, operational, or legal material findings within this time period. This recommendation is contingent upon Animo Pat Brown electing to have its CSFP payments intercepted at the state level, pursuant to Sections 17199.4 and 17078.57(a)(1)(A) of the Education Code. Staff recommends that the CSFA Board direct

staff to notify the Office of Public School Construction (OPSC) and the State Allocation Board regarding this determination.